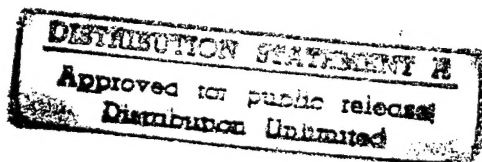


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PRINCIPAL VIEWS OF CHINA'S ECONOMISTS ON PROBLEMS
RELATING TO THE PRINCIPLE OF PLANNED AND
PROPORTIONAL DEVELOPMENT OF THE NATIONAL
ECONOMY
- COMMUNIST CHINA -

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This is a full translation of an article written
by Sun Ti-wen appearing in the Kuang-ming Jih-pao,
Peiping, 18 August 1959, page 3.

A special comprehensive report of this journal:

Recently, our workers on economic theory have shown the greatest interest in studying problems relating to the principle of planned and proportional development of the national economy. The principle is studied in conjunction with our socialist construction. A theoretical study of these problems will no doubt enable us to understand and apply the principle better. It will also increase our understanding of many theoretical problems relating to the principle. Further discussion on this subject is thus of great practical significance. In order to continue this penetrating discussion, we have summarized the principal views concerning these problems for the reference of our comrades.

The meaning of "the principle of planned and proportional development of the national economy."

There is at present a view that is basically opposed to the use of the expression: "the principle of planned and proportional development of the national economy," which is considered to be inaccurate. The designation: "the principle of planned development of the national economy," is deemed to be more proper and therefore preferred. The reason is that proportional development is a principle shared by all societies -- it is not a necessary requirement of the principle of planned development but is a requirement of the principle of social reproduction. The principles of planned development and proportional development must not be confused otherwise we might be promoting the idea of passive equilibrium.

A second view considers the term "proportional" as referring to the development of the national economy

according to a certain objective proportion. The national economy can proceed smoothly only through the maintenance of this objective proportion, otherwise, the development of the national economy would be hindered. But the objective requirement of proportional development is determined by such physical conditions as materials and labor and not by the social form of production. Thus the proportional development of the national economy is considered to be substantially the principle of reproduction as explained by Marx. What this principle reflects is the relationship between things. Behind the principle, there is, however, the relationship between men. Thus, in different societies, the proportional principle of reproduction is expressed in different forms. In a socialist society, the proportion of reproduction manifests the unity of the interests of the people though there may exist contradictions they are not antagonistic. The principle is related to planned control; it is manifested in a planned government movement.

As to the term "planned," it does not refer principally to man-made plans (this would be subjective) but to objectively necessary requirements. That is, under a socialist system, social production must be regulated by a social plan. Therefore those who hold this view object to putting a parenthesis to the word "proportional" which follows the word "planned." They also object to the division of "planned proportional" into "the principle of planned development of the national economy" and "the principle of proportional development of the national economy."

Some comrades also consider it improper to divide the principle of planned and proportional development of the national economy into two principles. In fact, planned development and proportional development are inseparable. For a planned national economy is the reflection of the principle of planned and proportional development of the national economy. If the principle of planned and proportional development of the national economy does not include the requirement of proportional development and if it is not necessarily related to proportional development, then the plan of the national economy which reflects this principle of course would not include the proportional relationship between the various departments and between the various links of social production in the national economy. If the national economy plan does not

include the above-mentioned proportional relationship, it would be devoid of content. This does not exist in real life.

Therefore some comrades believe that the principle of planned and proportional development of the national economy requires not only development of the various departments of the national economy and various links of social production according to a united plan, it also requires that their development is to be in a definite proportion. The national economy that reflects the requirement of this principle is a manifestation of the unity of planning and proportionality. The greatest distinctive characteristic and the superiority of socialist economy lie in the fact that its plan is based on a definite proportion and the proportion follows a unified plan. It is precisely on account of this unity between planning and proportion that the socialist national economy can develop proportionally and according to plan.

The relation between the principle of planning and the principle of value.

According to one view, the principle of planned development of the national economy and the principle of value produce similar effects as far as the allocation of labor and the means of production to different production departments is concerned. That is to say, the results from the operation of these two principles are similar under a number of circumstances. In regulating the allocation of labor and the means of production to different departments, the principle of planned development reflects the objective requirements of developing the whole national economy proportionally and rapidly. The principle of value, on the other hand, reflects the objective requirements and enterprises -- requirements arising from such questions as whether the revenue balances the expenditure, the exchange of equal values, and successful reproduction. Therefore, under certain circumstances, conflict between the two principles is inevitable. The principle of value, when in conflict against the principle of planned and proportional development of the national economy, works against or excludes controls imposed by State planning. Under such circumstances, the State must undertake necessary measures to deal with the conflict, such as market control. State purchase, pre-purchasing, or

price control, etc.

According to a second view, under the socialist system, it is the principle of planned and proportional development of the national economy that produces a regulatory effect and reflects the basic economic principle of socialism. Planning is one of the principal characteristics of a socialist economy. The principle of value by itself has already become ineffective; it can be effective only through the price planning of the State. However, in determining prices, the State acts principally according to the requirements of the basic economic principle of socialism and the principle of planned and proportional development of the national economy. Thus, according to this view, the principle of value occupies a subsidiary position in relation to the principle of planned and proportional development of the national economy. However, some comrades do not agree with this view. They believe that there is no relationship between the two principles, much less the type of relationship stated above -- the relationship between the basic and the subsidiary.

The problem of the change in speed /growth rate/
and the factors effecting speed /growth rate/

1. What is high speed?

According to one view high speed may be viewed from different angles. First, we may compare our speed with that of capitalist countries. If the national economy of socialist countries grows faster than that of the capitalist countries, the speed is high. Or we may regard the speed as high when certain political, economic and technical policies are adopted for the fullest exploitation of economic potentialities thus enabling the national economy to develop at an unusual speed. Therefore high speed is a relative and not an absolute concept no matter from what standpoint it is viewed. It cannot be expressed in concrete terms.

According to second view, high speed has at least three meanings: (1) the highest speed attainable under certain objective conditions (manpower, financial and material resources) within a certain period of time; (2) comparison with the speed in capitalist countries

when such countries are still in existence; (3) inclusion of the idea of the Great Leap Forward.

According to third view, high speed in the socialist economy is principally in reference to the speed of development in capitalist economy. The aim is to complete the development of production, which has taken capitalist countries one or two hundred years, in a short period of time. That does not mean that our production must increase by 50 or 100 percent or that the percentage increase must be greater every year. In fact, production develops in wave-like pattern. It is the general trend that decides whether speed is high or not.

Some comrades consider the following criteria for the measurement of speed as improper (1) A concrete target of measurement. If the target is reached, the speed is considered high; otherwise, it is not considered high. (2) The speed is high if it is greater than that of capitalist countries or if it is greater than that of population growth. (3) The speed is high if it is not only higher than that of capitalist countries, but also represents a speed that can be reached only through the greatest subjective effort. To this school of thought a high speed is one that is much higher than what can be achieved under capitalism. This speed must be continuous and it can only be a relative concept.

According to fourth view, two situations must be distinguished in discussing high speed. In the first place, high speed refers to the objective necessity of the rapid development of socialism. High speed in this sense refers to the comparison between socialism and capitalism. In the second place, high speed refers to the actual speed within a certain period of time. These two situations must not be confused. In the latter sense, high speed is the speed attained through the fullest utilization of the objective capabilities in a given period of time. In deciding whether a speed is high or not, it is necessary to see whether it reaches or approaches the highest possible speed objectively in a given period of time.

2. What is the trend of the change in high speed?

According to one view, no economic sector can grow at a doubling speed every year, much less can the

whole national economy develop in this fashion. In general, when the base figure is small, the rate of growth can reach one hundred or several hundred percent with a certain amount of effort. However there is a limit even in this case. When the base figure is high, it is, in general, difficult to grow at a multiplying rate. However, the increase in speed can be comparatively high if, within a certain period of time, certain necessary adjustments are made in production relationships, certain crucial advanced experiences introduced, new techniques adopted, existing production conditions changed, and the subjective dynamism of the workers fully mobilized. The increase in speed will depend upon the degree of change in the concrete conditions.

According to second view, a leap forward assumes in a wave-like pattern and not in a straight line. There are great leaps forward, medium leaps forward, and under certain conditions, small leaps forward. In any case, they are forward leaps. As the readjustment of production relationships can be understood only in practice and through the summing up of experiences, people have to go through a certain process to understand social principles. They also have to go through a certain process to understand natural principles. For instance, a technological revolution must go through the process of practice and the process of the summing up of experiences. The discovery of new techniques must go through the process of experimentation and extension. Forward leaps can, therefore, only take place in a wave-like pattern. Some comrades consider the general trend of development to be that of high speed although the increase may be higher in one year than another and higher in one sector than another.

3. Why does the speed of growth assume a wave-like-pattern?

According to one view, from the standpoint of agricultural production, there are two factors:

(1) Agricultural production is affected more by natural causes. Harvests are very unstable. The speed of growth each year is thus very uneven. (2) The speed of agricultural growth is directly related to the degree of technological improvement. Therefore the speed

of growth is uneven. In industrial production there are several reasons too: (1) Industrial production is closely related to agricultural production and therefore is greatly affected by fluctuation in the latter. (2) There are also problems of technological advancement. (3) There is also the problem of considering the utility of fixed assets. According to the second view, The following factors are responsible for the wave-like growth pattern:

(1) The change and readjustment of production relationships affect the speed of development. Although certain conflicting links between production relationships and productivity need not be fundamentally changed, they need to be regularly readjusted so that they may be improved day by day. The change and readjustment of production relationships must go through a constant process of development in which a change in quantity becomes a change in quality. After the readjustment, there must be a stage of continued strengthening and improvement. This type of screw-like elevation in production relationships would of course affect the speed of general economic development.

(2) The increase and distribution of accumulation is also an important factor that affects speed. As the ratio between accumulation and consumption is determined principally by the growth in people's total income and the Party's political and economic tasks at different times, changes in people's total income and in political and economic tasks must necessarily affect the level of accumulation. The lack of balance in the growth of accumulation of a productive nature will affect the growth of annual production.

(3) The growth in the consumption of labor directly affects the level of output; the speed of increase in production is directly proportional to the increase in the consumption of labor. In past years, the growth in the number of our staff members and workers has been very uneven, thus, the speed of the increase in labor consumption varies each year. This, of course, affects the general speed of production. In addition, the increase in labor productivity, the change in natural conditions, and the effect on the base figure of production are all factors that make for wave-like

pattern of growth.

According to the third view, it is only natural that growth in socialist production assumes a wave-like pattern. There are many reasons for this. One is that the constant increase in the base figure (the output of the previous year) results in a slowing down in the rate of increase in succeeding years. But this is not the only reason. As the base figure increases constantly, it has the effect of slowing down the speed, but, on the other hand, and more importantly, it makes possible for a greater leap forward in later years.

Another reason is that the speed of production increase in different sectors is uneven. When the original proportions between the sectors are changed by high speed expansion, it is necessary to reestablish proportions on a new basis. This process of readjustment slows down the speed of production growth. After the new proportions have been established, production will further increase.

Third, the interaction between productivity and production relationships must go through a definite process. This also has an effect on the speed of growth.

4. What are the conditions and factors that determine speed?

According to one view, in all stages of social development, the production process is based on two different but closely related factors -- social conditions and technological conditions. The speed of production is determined by the combined effects of these two factors. However, what has the most basic and direct bearing on the speed of production under given production relationships, is productive capacity-- the combination of man and material. That is to say, the speed of production is determined by the amount of labor and mechanical equipment, labor productivity, and the rate of equipment utilization. Some comrades think that to consider only "man" and "material" as the factors that determine speed is too general. An analysis should be made through the combination of two sets of contradictions: one between labor force and labor productivity and another between subjective dynamism and objective principle.

This is a second view that to consider high speed as being determined by material and technological conditions or being determined by human effort are both incomplete. Material and technological level, that is to say, the level of productivity, should be taken as the material basis and starting point of our advance. It determines the speed of increase in productive capacity. However, the speed of increase in production capacity does vary even under similar material and technological conditions. The answer is to be found in production relationships (the social side of production). They consider it necessary to recognize the effect of material and technological forces on the speed at which the national economy grows. Once material and technological conditions are obtained, the correct handling of relationships between people, emancipation of thought, and the stimulation of the positive spirit become decisive factors.

Principal ratio problems in the national economy

On this subject, views differ rather sharply. According to one view, the ratio between production of means of production and production of consumption goods is the most basic ratio from the standpoint of the principle of reproduction. However, under our present circumstances, the two principal categories of production consist of industry and agriculture. Thus, within a given period, the ratio between industry and agriculture is the most crucial. In the field of distribution, the principal ratio is the one between accumulation and consumption. It is further noted that the ratio between accumulation and consumption is determined basically by a series of production ratios centering on the ratio between industry and agriculture. This is because the physical objects of accumulation consist principally of means of production produced by industry and agriculture while the physical objects of consumption consist principally of consumption goods produced by industry and agriculture. Thus in determining the ratio between accumulation and consumption, it is necessary to adjust it so that it will correspond to the means of production and consumption goods produced by industry and agriculture. Once the ratio between accumulation and consumption is determined, it will affect the scale, structure, and speed of future

reproduction.

There is a second view that in the process of expanding reproduction, the ratio between the two major categories and the ratio between accumulation and consumption are basic. However, of the two major categories, priority is to be assigned to the production of means of production; of accumulation and consumption, priority is for the increase of accumulation.

According to a third view, the principal ratios in the national economy may be summarized as follows: (1) the ratio between production of means of production and production of consumption goods; (2) the ratio between accumulation and consumption. These two ratios control and stimulate each other. Viewed from that year [year not mentioned], the ratio between accumulation and consumption is controlled, in general, by the ratio between the production of means of production and production of consumption goods. The latter determines the former. From the view-point of the increase of production, the ratio between production of means of production and production of consumer goods is determined by factors relating to the ratio between accumulation and consumption.

The problem of the relationship between speed and ratio

According to one view, if high speed refers to the high speed [of development] of individual sectors, then it may conflict with the ratios between the various sectors and the national economy. If high speed refers to the speed of development in the national economy, it becomes a comprehensive target. In that case, high speed and proportional development are united. If we dismiss other conditions, the highest speed would become the most rational ratio. High speed is the object or target that we want to reach. Proportional arrangement is the method to reach the object. The method only conflicts with the object when we make a mistake. Those who take this view do not wish to regard high speed and proportional development as conflicting.

According to the second view, high speed and proportion is the unity of contradictions for (1) high speed and proportion are the two sides of the principle

of planned and proportional development of the national economy, the two being the unity of opposites. If we deny the existence of conflict between the two, it would be difficult to explain why the national economy is constantly pushing forward. (2) High speed is a question of a slower or faster pace of growth while proportional development is a question of allocating more or less resources. That there is a conflict between the two is quite evident. For instance, if we wish to develop certain sectors at a high speed, then there would be conflicts with other sectors in the supply of raw materials and equipment, concerning the allocation of labor force and transportation facilities. It is precisely on account of these objective conflicts that it is necessary to resort to the establishment proportions through a system of planned equilibrium. Equilibrium is unity. It is the method to solve the conflict between high speed and proportional development. (3) In the national economy, there are key points as well as general sectors and there is conflict between the two. To grasp the key point is to grasp the important part of the conflict.

According to the third view, high speed and proportion are inter-related and united on the one hand and mutually conflicting on the other. Their relationship is that of the unity of conflicts. Their similar nature is expressed, first of all, in their internal relations. If we want production to increase at a high speed, we must maintain correct proportions in various sectors of the national economy. Conversely, if we want to maintain the correct proportions, we must make it possible for the various sectors of the national economy to develop at a corresponding speed.

Under certain conditions, speed and proportion are mutually transformable. There are two forms in the transformation of speed and proportion. One form is the transformation of the principal part of the conflict. For instance, speed generally is the principal part of the conflict. But when proportional relationships seriously hinder the development of the national economy, proportion is elevated from the position of secondary importance to that of primary importance. Another form is that of inter-penetration between the opposing sides of the conflict. When the two opposing sides are struggling against each other, the interaction between the two causes one side to adapt to the requirements of the other thus resulting in the unity

of opposites.

Some comrades give the following reasons to show that there is no conflict between speed and proportion:

(1) High speed reflects the requirement of the principle of high speed socialist development while proportion reflects the requirement of the principle of planned and proportional development of the national economy. Both principles reflect socialist production relationships. If we say that there is conflict between high speed and proportion that is equivalent to saying that there is conflict between the two principles and conflict in socialist production relations. This would be a mistake.

(2) Speed and proportion are two different sets of conflicts (conflict between high speed and low speed and conflict between proportional development and non-proportional development). They are not conflicts that oppose each other within the same category. Thus there is no conflict between speed and proportion and the two are not contrary to the principle of dialectics.

The shortage of materials since the Great Leap Forward is due to our weak economic foundation and deficiencies in method. It is not due to the existence of conflict between speed and proportion.

There is a fifth view, that the relationship between speed and proportion is that of mutual restriction and mutual stimulation. Changes in proportional relationships are in fact a reflection of the relative speeds of development in different sectors. They are a reflection of proportions in speed. Thus we cannot talk about proportional relationships apart from speed. High speed development is possible only when it is based on rational proportional relationships. Speed is not determined subjectively but is determined in accordance with the level of productive capacity and various proportional relationships of the time. According to this view, the relationship of mutual restriction between speed and proportion must not be interpreted as requiring the various sectors to develop at the same speed or to maintain permanently the existing proportional relationships but as placing emphasis on certain points in various proportional

relationships.

Problems worthy of further study

Recent discussions show that the principle of planned and proportional development of the national economy is being brought more closely with present experiences and further analyzed. In the course of these discussions, basic agreements have been reached on certain problems. For instance, many comrades interpret high speed as meaning the speed in relation to the rate of development under capitalism. They consider the speed of growth in the national economy in socialist countries to be higher than that in capitalist countries. During the discussion, several problems were brought up which require further study. These problems are: How is the principle of planned and proportional development of the national economy differentiated from Marx's view on the economy of labor time and his principle of planned distribution? Does the wave-like growth assume a definite pattern? What is its trend? How is the principle of raising labor productivity to be distinguished from the principle of the economy of labor time? How is the principle of proportional development to be distinguished from the principle of value? These are the problems that deserve further study.

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